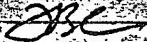


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Executive Secretary

7/26/82

Date

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NSC review completed.

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WASHINGTON, D.C. 20500

July 21, 1982

Executive Secretary

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B
MEMORANDUM FOR L. PAUL BREMER II
Executive Secretary
Department of State

K-1
DAVID PICKFORD
Executive Secretary
Department of the Treasury

D
LTC RICHARD HIGGINS
Assistant for Interagency Matters
Office of the Secretary of Defense

STEPHEN SHIPLEY
Executive Assistant to the Secretary
Department of the Interior

JEAN JONES
Director, Executive Secretariat
Department of Commerce

I
WILLIAM V. VITALE
Director, Office of the Executive Secretariat
Department of Energy

WILLIAM SCHNEIDER
Associate Director for National Security and
International Affairs
Office of Management and Budget

A
THOMAS B. CORMACK
Executive Secretary
Central Intelligence Agency



25X1

ROGER PORTER
Special Assistant to the President
for Policy Development

BENJAMIN ZYCHER
Special Assistant to the Chairman
Council of Economic Advisors

D
COL GEORGE A JOULWAN
Executive Assistant to the Chairman
Joint Chiefs of Staff

SHEILA DRYDEN
Special Assistant to the Director
Federal Emergency Management Agency

SUBJECT: Results of NSSD 9-82 Overview Group Meeting of July 20, 1982

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Review 21 July 1988

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The Overview Group meeting of NSSD-9-82 on July 20, 1982, agreed upon the following follow-up actions in preparation for our next Overview Group Meeting the week of August 2:

1. CIA should (1) update Sections A, B, and C to reflect current intelligence, (2) ensure that the discussion on pages 9 through 26 relates to specific disruption scenarios listed in the attached table, (3) further refine the scenarios to demonstrate the potential supply impacts of a gradual escalation in the current Iran-Iraq hostilities, and (4) add a "likelihood" column to the scenario table which would indicate other countries capable of taking military action resulting in closure of the Strait of Hormuz.
2. CIA should undertake additional work to develop potential disruptions likely to occur over the next six months. Special attention should be focused on events which could reduce excess capacity, cause an inventory turnaround, neutralize additional production from Saudi Arabia and/or Kuwait.
3. OMB and CEA should work together to develop numbers relating to the macro effects of the supply disruptions discussed in Section D. Over the next week to 10 days, CEA should meet with OMB and NSC to try to enumerate some of the problems associated with the existing models.
4. OMB, in revising the micro effects discussed in Section D, should include a qualitative discussion of the numbers used in the model relating to stock draw and demand elasticities. The analysis should be revised to include the possibility of a net stock build during a minor supply disruption. CIA should provide OMB with some thoughts on the rationale for considering that a 3 million b/d stock draw during a major crisis is not sustainable over the course of a full year.
5. DOS should analyze more precisely in Section D, foreign governments' responses to supply disruptions. This analysis should describe more fully (pages 5-9) the range of policies foreign governments might pursue in dealing with disruptions and the type of varied market responses one could expect in these countries based on existing policies. CEA agreed to work with State in preparing this analysis.

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6. DOD should, in its part of Section D, (1) elaborate on past experience -- particularly the political pressures generated by the purchase of higher priced oil, and (2) elaborate on the effects of certain disruptions on military stocks.

CIA is responsible for integrating the above sections.

Before the next Overview Group meeting, the Chairmen of Working Groups involved in Part III of the study, along with other interested participants, will meet to discuss the outline and tasking for Part 3 of the NSSD Study. The next Overview Group meeting, which will probably be set for the last week of July or the first week of August, will be devoted entirely to Part III. It will also consider detailed outlines of Part IV of the study.

Down Shore
Michael O. Wheeler
Staff Secretary

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